

Frequently Asked Questions (FAQs) on SHG Bank Linkage



Frequently Asked Questions



Q What is SHG bank linkage?

SHG bank linkage refers to a financial inclusion program that intends to link self-help groups (SHGs) with formal banking institutions. The program seeks to provide SHG members with access to credit facilities. This allows them to borrow funds for income-generating activities, entrepreneurship, agriculture, education, healthcare, and other productive purposes.

Q What are the types of Loans to SHGs?

- Term loan
- Cash credit limit(CCL) loan or
- Both based on the need.

In case of need, an additional loan can be sanctioned even though the previous loan is outstanding.

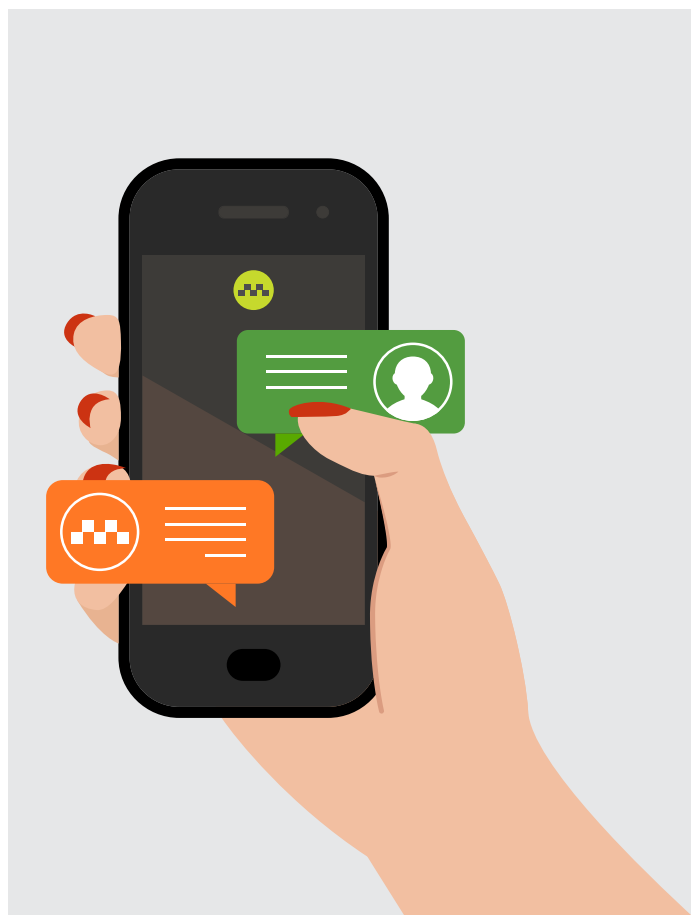
Q How is it different from other loans?

The cash credit limit given to an SHG is based on the group's collective liability rather than individual liability. The group as a whole is responsible for the loan repayment. The cash credit limit is a form of revolving credit. It operates as a working capital facility where the SHG can withdraw funds up to the sanctioned limit as per their requirements, even with an outstanding on the previous dose

[RBI circular on DAY-NRLM No RBI/2023-24/20 FIDD.GSSD.CO.BC. No.07/09.01.003/2023-24 dated April 26 2023, page No 5, item No. 7.3.3.](#)

Q Can an SHG open a savings bank account in the nearest bank branch that is not in the service area?

An SHG can open a savings account with any bank. Please see for reference the [RBI master circular on micro-credit no. RBI/2010-11/407, RPCD. FID. BC.No. 53 / 12.01.001/ 2010-11 date 14 February 2011, page 2- 3, item No 4. page 4 para 2.](#)



Frequently Asked Questions



Q What type of savings bank account should the SHG open with the bank?

The account can be a basic savings bank deposit account or a normal savings bank account. However, a normal savings bank account is better to avoid confusion later, as a basic savings bank deposit account has certain restrictions on deposits, withdrawals, and balance limits.

Q Is the PAN required to open the savings bank account of the SHG with the bank?

A PAN is not necessary to open the SHG's bank account, but FORM 60 is required. Per the Central Board of Direct Taxes Notification dated 6th January 2017, the SHG members' details must be furnished in column 18 of FORM 60.

[RBI circular on DAY-NRLM No RBI/2023-24/20 FIDD.GSSD.CO.BC. No.07/09.01.003/2023-24 dated April 26 2023, page no 3, item no. 7.1.2](#) also confirms that the SHG's PAN should not be insisted upon during account opening or doing any transactions. Banks may accept declaration in FORM No. 60 as and when required.

Q Is the KYC of all members required to open a savings account for SHGs?

No. The KYC verification of all SHG members is not required to open the SHG's savings bank account, as KYC verification of all the office bearers shall suffice.

[RBI master circular on DAY_NRLM No RBI/2023-24/20 FIDD.GSSD.CO.BC. No.07/09.01.003 / 2023-24 dated April 26 2023, page no 3, item no. 7.1.4](#)

Q Is the presence of all SHG members required at the bank branch when opening the SHG's savings bank account?

No, the presence of all the SHG members is not required when opening the SHG savings bank account. Only the office bearers' presence and a copy of the resolution are sufficient for KYC requirements.

[RBI master circular on DAY_NRLM No RBI/2023-24/20 FIDD.GSSD.CO.BC. No.07/09.01.003/ 2023-24 dated April 26 2023, page no 3, item no. 7.1.4.](#)

Q When should the SHG open the savings account with the bank?

The SHG should open its savings account with the bank within two months of its formation.

Q Which date should be considered for the formation of the SHG?

The resolution date on the formation of SHG should be considered the first date for all purposes, as noted in the minutes register.

Frequently Asked Questions



Q Is an authorization letter required from the government or gram panchayat to open savings accounts for SHGs?

No, opening the SHG's savings bank account does not require an authorization letter from GP, BDO, or any other government department.

Q Should the SHG be registered to open a savings bank account?

Registration of the SHG is not necessary to open a savings bank account. The SHG may or may not be registered. Please see for reference the RBI circular on SHG bank linkage no [RBI/2023-24/03 FIDD.CO.FID.BC.No.1/12.01.033/2023-24 dated April 01 2023, page 2- 3, item No 4.](#)

Q Is no dues or no objection certificate required to obtain a bank loan?

SHGs are not required to obtain a no dues or no objection certificate for a bank loan.

Q What are the eligibility criteria for the SHG to avail of a Bank loan?

The following conditions should be fulfilled to avail of a bank loan:

- The SHG should be active for the past six months as per the SHG's books of account and not from the savings bank account opening date.
- The SHG should be practicing Panchsutra,

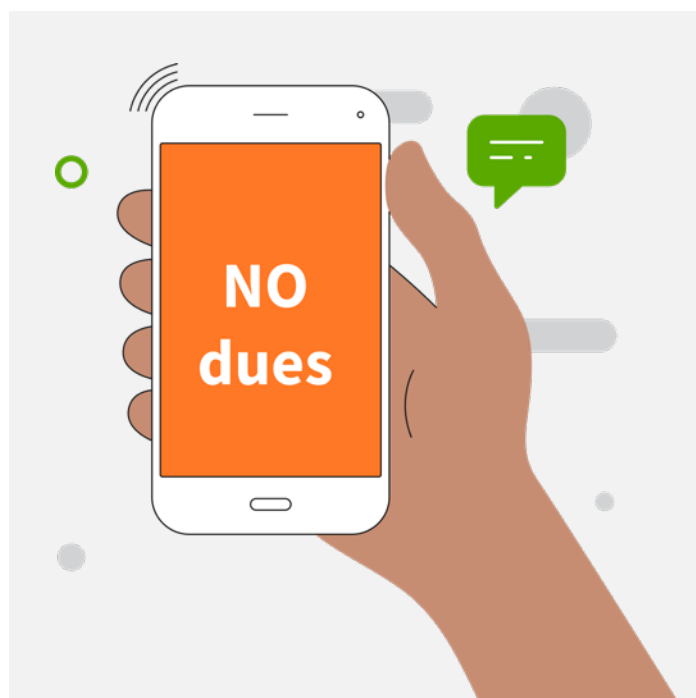
which includes regular meetings, regular savings, regular inter-lending, timely repayment, and up-to-date books of accounts.

- The SHG should be qualified as per the grading norms fixed by NABARD

[RBI master circular on DAY_NRLM No RBI/2023-24/20 FIDD.GSSD.CO.BC.No.07/09.01.003/2023-24 dated April 26 2023, page no 4, item no. 7.3.](#)

Q Is the KYC of all SHG members required when availing of a bank loan?

The KYC verification of all SHG members can be made by the banks at the time of SHGs' credit linking. [RBI master circular on DAY_NRLM No RBI/2023-24/20 FIDD.GSSD.CO.BC.No.07/09.01.003/2023-24 dated April 26 2023, page No 3, item No. 7.1.1.](#)



Frequently Asked Questions



Q Should all SHG members have a savings bank account at the time of credit linkage?

All SHG members need not have a savings bank account for the SHG's credit linkage by the banks. [RBI master circular on DAY NRLM No RBI/2023-24/20 FIDD.GSSD.CO.BC. No.07/09.01.003/2023-24 dated April 26 2023, page No 4, item No. 7.1.1.](#)

Q Are the existing defunct SHGs also eligible for bank loans?

The existing defunct SHGs are also eligible for credit if they are revived and active for at least three months. [RBI master circular on DAY NRLM No RBI/2023-24/20 FIDD.GSSD.CO.BC. No.07/09.01.003/2023-24 dated April 26 2023, page No 5, item No. 7.3.1.4.](#)

Q What margin and collateral security are required for a bank loan?

No margin or collateral is required up to INR 10 lakh limits to the SHGs.

[RBI circular on DAY NRLM No RBI/2023-24/20 FIDD.GSSD.CO.BC. No.07/09.01.003/2023-24 dated April 26 2023, page No 7, item No. 7.3.6](#)

Q Can the bank mark a lien or block the SHG's savings bank account while providing finance to the SHGs?

The bank cannot mark a lien against the SHG's savings bank account, and no deposits can be insisted upon while it sanctions the loan. [RBI circular on DAY NRLM No RBI/2023-24/20 FIDD.GSSD.CO.BC. No.07/09.01.003/2023-24 dated April 26 2023, page No 7, item No. 7.3.6.](#)



Frequently Asked Questions



Q Can the branch deduct or debit the amount, either loan or savings of the SHG, if a member's spouse is a defaulter of earlier schemes?

The branch cannot debit SHG accounts, either savings or loans, if the spouse of any member is a defaulter of earlier schemes.

Q What are the bank's processing and service charges for SHG loans?

No loan-related charges, ad hoc services charges, or inspection charges should be levied for loans up to INR 25,000 per member for the loans as per the master circular on SHG bank Linkage No SHG. [RBI/2023-24/03 FIDD.CO.FID.BC.No.1/12.01.033/2023-24 dated April 01 2023, page 4 item No 7.](#)

Q What constitutes the SHG's corpus?

As shown in the books of the SHG, the SHG's corpus includes:

- Savings of the members;
- Interest earned by SHG from lending to its members;
- Revolving fund;
- Income from other sources;
- Funds from other sources, which include donations.

[RBI circular on DAY NRLM No RBI/2023-24/20 FIDD.GSSD.CO.BC.No.07/09.01.003/2023-24 dated April 26 2023, page No 6, item No. 7.3.3\(Last para\).](#)

Q What documents are required to open a savings bank account with the bank?

The following documents are required to open the savings bank account:

- Account opening form;
- "Resolution copy from the SHG to open the savings bank account with the bank, which authorizes the office bearers to open and operate the account." Operation of the account may be either by any two office bearers or otherwise as deemed fit by the members;
- Two passport-size colored photographs of office bearers;
- The SHG's seal;
- KYC documents of the office bearers for identification and address proof;
- Passport, driver's license, Aadhaar card, voter identity card, job card, or any other document acceptable to the bank. If the bank does the e-KYC of office bearers, no documentary proof other than the Aadhaar card is required.

[Master circular on SHG bank Linkage no RBI/2023-24/03 FIDD.CO.FID.BC. No.1/12.01.033/2023-24 dated April 01 2023, page 2- 3, item No 4.](#)

Frequently Asked Questions



Q Can earlier loan defaulters be SHG members?

Members who have availed of loans earlier from the financial system and could not repay their dues can be admitted as SHG members, but the SHG may decide not to provide any loan from SHG out of the bank finance. [RBI master circular on DAY NRLM No RBI/2023-24/20 FIDD.GSSD.CO.BC. No.07/09.01.003/2023-24 dated April 26 2023, page 8, item No 7.3.7.](#)

Q Can SHGs with defaulters as members avail of bank loans?

Wilful defaulters of the group should not get benefits under the DAY-NRLM program, and the group may be financed, excluding the defaulters. The bank will finance based on the loan requirement of other SHG members who are not wilful defaulters. [RBI master circular on DAY NRLM No RBI/2023-24/20 FIDD.GSSD.CO.BC. No.07/09.01.003/2023-24 dated April 26 2023, page 8, item No 7.3.7.](#)

Q Can the bank deny a loan to the SHG if the SHG member's spouse or any other family member is a bank defaulter?

Banks should not deny a loan to the entire SHG on the pretext of the spouse or any other family members of an individual SHG member being a defaulter with the bank. Non-wilful defaulters should not be debarred from receiving the loan.

[RBI master circular on DAY NRLM No RBI/2023-24/20 FIDD.GSSD.CO.BC. No.07/09.01.003/2023-24 dated April 26 2023, page 8, item No 7.3.7.](#)



Frequently Asked Questions



Q Can an SHG raise only one type of loan—a term loan or CCL?

SHGs can avail of term loans, CCL, or both as required. If needed, an additional loan can be sanctioned even though the previous loan is outstanding. [RBI master circular on DAY NRLM No RBI/2023-24/20 FIDD.GSSD.CO.BC. No.07/09.01.003/2023-24 dated April 26 2023, page 5, item No 7.3.3.](#)

Q Should the SHG deposit all its savings in the bank to avail of a bank loan?

No, banks cannot insist that the SHG deposits all its savings in the bank or submit savings as collateral.

Q Can SHGs avail loans from banks for productive purposes only?

The loans can be used by the individual SHG members to meet social needs, high-cost debt swapping, construction or repair of houses, construction of toilets, to take up sustainable livelihood activities, or to finance any viable common activity started by SHGs.

To ease the use of loans to augment SHG members' livelihoods, at least 50% of loans above INR 2 lakh and 75% of the loans above INR 4 lakh must be used primarily for income-generating productive purposes. The Micro credit plan(MCP) prepared by SHGs would be the basis to determine the purpose and usage of loans.

[RBI master circular on DAY NRLM No RBI/2023-24/20 FIDD.GSSD.CO.BC. No.07/09.01.003/2023-24 dated April 26 2023, page 6, item No 7.3.5](#)



Frequently Asked Questions



Q What is the amount of stamp duty to be charged by the banks for loans to SHGs?

Stamp duty is under state jurisdiction. The state can clarify this with the help of the SLBC. The stamp duty on loan documents for the SHGs has been waived in most states. States can take the matter to a suitable level for exemption or to regulate stamp duty.

Q Does the bank charge any penal interest on SHG loan accounts?

The bank does not charge any penal interest for loans up to INR 25,000 per member, as loans to SHGs are considered loans to the weaker section under the priority sector.

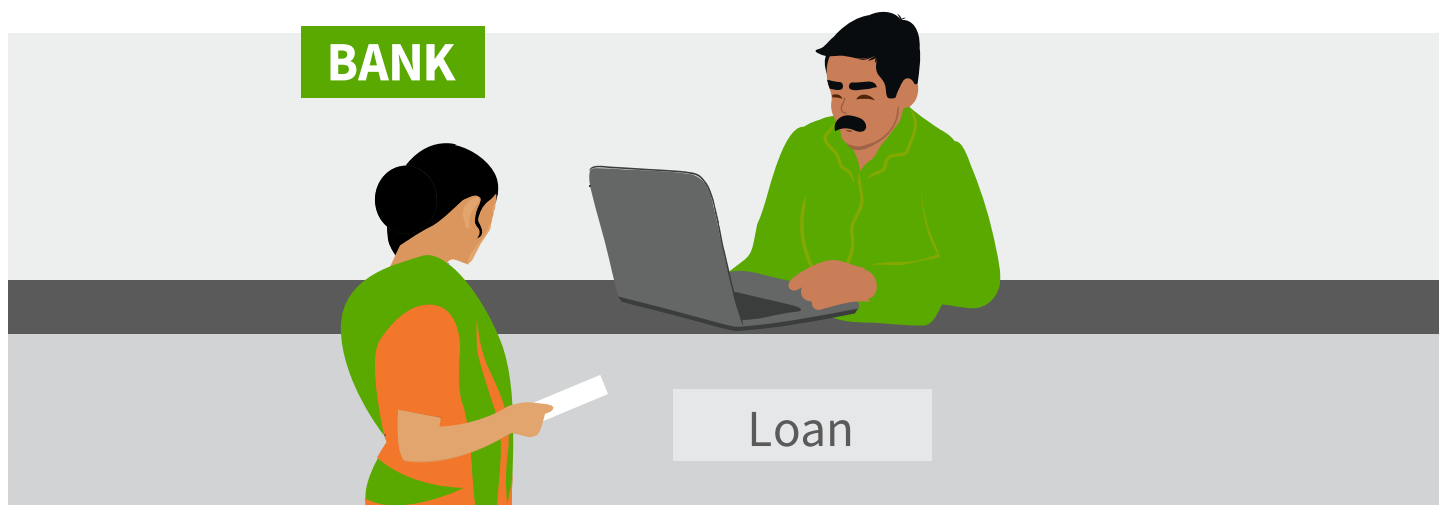
Q Can banks issue loan passbooks to SHGs?

Loan passbooks in the regional languages may be issued by the bank to the SHG, which may contain the loan details and terms and conditions applicable to the sanctioned loan.

[RBI master circular on DAY NRLM No RBI/2023-24/20 FIDD.GSSD.CO.BC. No.07/09.01.003/2023-24 dated April 26 2023, page 8, item No 7.3.8](#)

Q Can a bank sanction more than INR 1.5 lakh loan to the SHG in the first year or first dose?

The drawing power for the first year in case of cash credit limit is six times the existing corpus or minimum INR 1.5 lakh, whichever is higher. For a term loan, the first dose is six times the existing corpus or minimum INR 1.5 lakh, whichever is higher. Thus, the loan amount for the first year or first dose may be more than INR 1.5 lakh. [RBI master circular on DAY NRLM No RBI/2023-24/20 FIDD.GSSD.CO.BC. No.07/09.01.003/2023-24 dated April 26 2023, page 5, item No 7.3.3.](#)





Under DAY-NRLM (National Rural Livelihoods Mission) initiative Uttarakhand state rural livelihood mission (USRLM) and Uttarakhand Parvatiya Aajeevika Sanvardhan(UPASaC) focuses on the Self-Help Group (SHG) Bank linkage, playing a pivotal role in empowering rural communities across uttarakhand. Launched to alleviate poverty and promote sustainable livelihoods, the USRLM and UPASaC aims to create an inclusive financial ecosystem by linking SHGs with formal banking institutions. This strategic alliance facilitates access to credit and financial services for marginalized groups, particularly women, enabling them to undertake income-generating activities and entrepreneurship. The initiative recognizes the importance of financial inclusion as a catalyst for socio-economic development, fostering community resilience and self-reliance. By strengthening the SHG-Bank linkage, the NRLM endeavors to uplift rural households, promote economic independence, and contribute to the overall progress of rural India.

